

**ILLINOIS COMMERCE COMMISSION**

**DOCKET NO. 12-0598**

**REBUTTAL TESTIMONY**

**OF**

**DAN E. LONG  
SPI ENERGY GROUP**

**December 2, 2013**

1                                    **Rebuttal Testimony of**  
2                                    **Dan E. Long**

3                                    **on Behalf of**

4                                    ***The Coalition of Property Owners and Interested***  
5                                    ***Parties in Piatt, Douglas and Moultrie Counties***  
6                                    ***("PDM"), the Channon Family Trust and The***  
7                                    ***Village of Mt. Zion***

8  
9                                    **WITNESS IDENTIFICATION**

10  
11        Q.        Would you please state your name, business address and basic  
12                    background relevant to this proceeding?

13  
14        A.        Yes. My name is Dan Long. I am a partner with SPI Energy Group. My  
15                    business address is 2621 Montega, Suite D, Springfield, Illinois 62704.

16  
17        Q.        Are you the same Dan Long that previously filed testimony in this  
18                    proceeding?

19  
20        A.        Yes, I am.

**INTRODUCTION**

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony will address issues raised in the direct testimony of ATXI witnesses Kramer and Hackmann and the consequences of those issues.

**DIRECT TESTIMONY OF DENNIS KRAMER**

Q. Have you reviewed the Direct Testimony of Dennis Kramer?

A. Yes, I have.

Q. Has Mr. Kramer introduced any issues that cause you to be concerned?

A. Yes, he has. The first issue I would like to address is that of generator stability.

Q. What is your understanding of the concept of generator stability?

A. My understanding of generator stability is that the generator, as a synchronous electrical device, must exist and operate in conditions when connected to the electric grid that allow it to operate in synchronism with other devices as well as maintain constant speed that matches that of the system as well as other synchronous devices. When these conditions exist, and the generator operates in a nominal fashion, it is stable.

Q. What do you mean by the term synchronous when applied to a generator?

A. Synchronous is a condition that is established and maintained such that a generator can operate at a precise speed, within specified system operating tolerances that match the electric frequency (cycles per second) of the interconnected system to which it is connected.

Q. What is the stability issue raised by Mr. Kramer?

A. Mr. Kramer, at page 8 of his direct testimony, cites a portion of MISO witness Webb's testimony regarding operating conditions at the Coffeen power station. It is in this portion of Mr. Webb's testimony where a

1 stability issue is raised with regards to future operating conditions at  
2 Coffeen. Mr. Webb states that generator instability arises at Coffeen  
3 when a fault occurs on the 345kv substation equipment at Coffeen under  
4 the projected future system conditions. There is no argument that  
5 generator instability is a serious problem, however, the manner in which  
6 the system improvements sought by ATXI are now linked to generator  
7 instability is suspect in that it attempts to create a "red herring". I am not  
8 an engineer, so this is only my layman's opinion. It may be helpful for the  
9 Staff witness to evaluate the stability issue as it relates to system capacity  
10 additions.

11  
12 Q. Would you describe your concern with respect to the discussion of stability  
13 at Coffeen?

14 A. Yes. Mr. Webb's testimony as cited by Mr. Kramer indicates the stability  
15 arises from a fault on substation equipment at Coffeen under "the  
16 projected future system conditions". It does not state what gives rise to  
17 the fault, nor how "projected future system conditions" somewhere else on  
18 the system cause this fault. While a fault on equipment at the power  
19 station is serious, to categorize this as causing instability is unusual. A  
20 fault that close to the generator would likely cause relay equipment to  
21 begin to take the generator off-line unless the fault were isolated in such a  
22 manner that the generator could continue to operate. My biggest concern  
23 is the lack of specificity concerning what creates this fault, and why if it is  
24 due to system conditions not located at the power station itself, the fault is  
25 created near the generator versus further away from the generator where  
26 other relay schemes would isolate the fault. Also no mention is made as  
27 to the severity of this fault. Mr. Webb's testimony goes on to state that the  
28 ATXI proposal provides additional capability to deliver output from Coffeen  
29 through new outlets at Pana. I do not dispute this at all, however I would  
30 not characterize this as a stability issue. I would assume this to be an  
31 issue related to system capacity or unit availability. Mr. Kramer and Mr.

1 Webb have failed to provide the specificity necessary to determine the  
2 magnitude of importance of the problem they attempt to identify and have  
3 failed to identify its specific origin. They allude to a problem on a system  
4 that is interconnected to such a degree as to virtually eliminate the idea  
5 that a fault (as yet not identified) could occur that would take a generator  
6 offline.

7  
8 Q. Is there any other portion of Mr. Kramer's testimony that you see as a  
9 problem?

10 A. Yes. Mr. Kramer addresses certain statistics associated with the relative  
11 value of stability improvements. He indicates that there are percent  
12 improvements in stability at Kincaid and Coffeen in response to the Pana  
13 connection. He discusses a 5% improvement at Kincaid and a 10%  
14 improvement at Coffeen. I am not able to identify the specific value Mr.  
15 Kramer is attempting to assign to these improvements because the  
16 specific numerical values that are being improved by 5% and 10%  
17 respectively are not identified. As a result, he has not identified either  
18 statistically or specifically whether stability at either station is in need of  
19 improvement.

20  
21 **DIRECT TESTIMONY OF JEFFREY HACKMAN**

22  
23 Q. Have you reviewed the Testimony of Jeffrey Hackman?

24 A. Yes, I have.  
25

26 Q. Does Mr. Hackman discuss the construction of substations that are a part  
27 of the ATXI proposed project?

28 A. Yes. Mr. Hackman discusses the need for substations associated with the  
29 proposed 345kv line. Some of these substations are new from the ground  
30 up, including the real estate on which they would be sited. Some of these  
31 will be located at, and use land at substations already in service and in the

1 rate base of AIC. Mr. Hackman's testimony also refers to ATXI being  
2 authorized by the Commission to construct substations at some of the  
3 locations requested by ATXI. We find the way this statement is made to  
4 be of concern. While we do not take issue with what the Commission may  
5 or may not authorize to be built in response to legitimate system  
6 requirements, we do take issue with who is tasked with making the  
7 request for authorization. Of particular interest is the fact that existing AIC  
8 owned substations will be modified by ATXI to add equipment associated  
9 with this project. Mr. Hackman states that while ATXI will be adding to  
10 certain AIC substations, AIC will continue to own its equipment and ATXI  
11 will own the equipment associated with this project. This is information  
12 that suggests that while ATXI is certainly the entity that should be seeking  
13 a certificate for the line portion of the proposal, ATXI is not the entity that  
14 should be seeking certificates for the substations, particularly when ATXI  
15 proposes to share real estate owned by AIC, and paid for by AIC retail  
16 customers. This is complicated by the fact, as stated by ATXI, AIC will be  
17 required to connect to, and use, and presumably pay for, the substations  
18 to be built and owned by ATXI.

19  
20 Q. Are you challenging the need for any of these substations?

21 A. No, not at this time. In fact, the Commission, in its order allowing re-  
22 hearing, suggested there was a need for the "Mt. Zion" substation. As a  
23 result, we are not addressing the absolute need for any of the substations.

24  
25 Q. Does Mr. Hackman refer to the Commission's findings on the Mt. Zion  
26 substation?

27 A. Yes, Mr. Hackman quotes from the Commission's Order on page 23 of his  
28 direct testimony.

29  
30 Q. Did the Commission in its Order recognize its own separate jurisdiction  
31 from that of MISO with respect to the Mt. Zion substation?

1  
2 A. Yes, while recognizing that MISO engaged in significant planning, the  
3 Commission specifically stated that it "can not simply abdicate its authority  
4 and responsibility to MISO." This part of the Order is quoted by Mr.  
5 Hackman at page 23, line 514-15 of his direct testimony.  
6

7 Q. Does Mr. Hackman's testimony raise any issue that impacts the  
8 Commission's jurisdiction separate and apart from MISO?

9 A. Yes, ATXI's proposal to seek the certificate for the Mt. Zion substation,  
10 rather than AIC, creates a problem for the Commission that directly  
11 impacts its jurisdiction over the planning process.  
12

13 Q. What is the nature of this problem?

14 A. We have come to the conclusion that the ATXI proposal to seek  
15 certificates for the substations may preclude the ICC from determining  
16 when, or even how much, AIC customers should be required to pay for  
17 those substations once they are built. This proceeding may be the only  
18 opportunity the Commission has to evaluate how much of the cost of  
19 these assets should be borne by retail ratepayers as well as when they  
20 should begin paying for the substations. We believe this is the most  
21 important single issue facing the Commission in this proceeding.  
22

23 Q. What is your understanding of the purpose of this proceeding that was  
24 initiated by ATXI, specifically concerning the substations discussed by Mr.  
25 Hackman?

26 A. My understanding is that ATXI filed a petition requesting certificates of  
27 public convenience and necessity for the facilities described in the petition.  
28 Those facilities include a 345kv line and six new 345kv substations.  
29

30 Q. What is your understanding of the benefit or need for such a certificate for  
31 the substations described by Mr. Hackman?

1 A. Traditionally, an entity such as a public utility (AIC) might require such a  
2 certificate in order to facilitate condemnation proceedings to secure  
3 property on which they wish to construct facilities. If the entity seeking to  
4 undertake construction cannot obtain rights of way outright, then the  
5 certificate is useful in initiating legal proceedings to obtain the rights of  
6 way. In this case, not only does ATXI seek certificates for new property  
7 on which to locate substations, ATXI also seeks to build facilities on  
8 existing AIC substation locations that are paid for by Illinois ratepayers. In  
9 our opinion, that creates a problem.

10  
11 Q. Is ATXI a public utility as that term is contemplated by the Illinois Public  
12 Utilities Act?

13 A. By their own description, they are not.

14  
15 Q. Why does ATXI then need to secure a certificate?

16 A. ATXI plans to construct a transmission line and the various substations  
17 described by Mr. Hackman. ATXI requires property to do that. In the  
18 event they cannot secure the property willingly, the certificate would aid  
19 them in acquiring property in a court of law. Specifically, we are  
20 concerned about the substations discussed by Mr. Hackman that will  
21 eventually be used by AIC.

22  
23 Q. Is it your understanding that the line proposed by ATXI will be used to  
24 directly serve retail load?

25 A. No. ATXI represents that the line is a "multi-value project" that will aid in  
26 bulk electric system transactions of a wholesale nature. The line was  
27 planned in association with MISO, and is now undertaken by ATXI subject  
28 to a determination by MISO that this project is needed and is part of a  
29 MISO sanctioned expansion plan. However, ATXI does discuss at length  
30 the benefits to AIC (and presumably its customers) of the substations  
31 proposed by Mr. Hackman.



1  
2 Q. Would you describe your understanding of the difference between  
3 wholesale and retail in the context of electric sales?

4 A. Retail sales are sales of electricity made directly to ultimate consumers,  
5 while wholesale transactions occur between utilities or suppliers.  
6 Wholesale sales are considered interstate commerce and as such are  
7 subject to federal jurisdiction. The ultimate use of the substations  
8 described by Mr. Hackman will be for delivery of power and energy used  
9 by retail customers.  
10

11 Q. Who regulates retail sales in Illinois?

12 A. With respect to retail sales by a public utility, the Illinois Commerce  
13 Commission regulates rates. In addition, various landowners that are  
14 parties to this proceeding may be served by electric cooperatives or  
15 municipal utilities. While these "customer" owned systems do not utilize  
16 rates that are regulated by the ICC, they will be impacted by the costs of  
17 the ATXI project because these customer owned systems are connected  
18 directly to the AIC system and pay a share of AIC system costs related to  
19 delivery of power and energy over the AIC system. The landowners are  
20 served by systems that connect directly to the substations discussed by  
21 Mr. Hackman.  
22

23 Q. Who regulates wholesale transactions?

24 A. The Federal Energy Regulatory Commission, or FERC.  
25

26 Q. What sort of entity is ATXI?

27 A. ATXI is not a regulated public utility in Illinois, but rather will be a  
28 transmission owner under the jurisdiction of the FERC, and within the  
29 operating area of MISO, a FERC creature that administers electric  
30 transmission throughout the area in which the proposed line will exist.  
31

1 Q. Will the substations discussed by Mr. Hackman facilitate wholesale  
2 transactions?

3 A. I do not believe so, or at least not initially nor directly. It has been  
4 described by ATXI that it will be necessary for Ameren Illinois Corporation  
5 to connect to these substations in order to facilitate energy delivered  
6 through those substations to be passed to retail end users and ultimately  
7 realize all of the benefits of the proposed line and substations. However,  
8 the substations may later be used as designated delivery points for  
9 wholesale delivery of power to wholesale entities within the AIC area.

10

11 Q. In your experience, is it typical that a non-regulated (Illinois retail  
12 jurisdiction) entity would seek a certificate for facilities that will serve retail  
13 load, such as the substations described by Mr. Hackman?

14 A. No it is not. Typically, the entity seeking the certificate would be a  
15 regulated public utility owning and operating the electric transmission and  
16 distribution system used for serving end use load, such as AIC. This  
17 allows the Commission, once it renders judgement on the need for the  
18 facilities, to determine how ratepayers pay for those facilities.

19

20 Q. Is it your understanding that a proceeding such as this one is designed to  
21 allow cost recovery for the facilities addressed in the petition for a  
22 certificate?

23 A. No. Cost recovery is not normally dealt with in determining whether a  
24 certificate should be issued.

25

26 Q. Typically, when and where is cost recovery sought for substations such as  
27 those described by Mr. Hackman?

28 A. Generally, once substations such as those described by Mr. Hackman  
29 have been built, the public utility (such as AIC) would file a request, with  
30 the Commission, for cost recovery in the form of a request for a change in  
31 rates. The Commission would then be tasked with determining how it

1 should be included in rates for cost recovery from the end users of  
2 electricity.

3

4 Q. Are you challenging the need or necessity of the substations discussed by  
5 Mr. Hackman?

6 A. No. We are raising this issue not because we challenge whether the  
7 substations will be needed, or whether they will be used and useful.  
8 Rather, our concern is that the Commission should be allowed to  
9 determine how retail ratepayers pay for these facilities, since it appears  
10 they will ultimately be used by AIC to serve those ratepayers.

11

12 Q. Would ATXI, in your opinion, normally file for such cost recovery?

13 A. I do not believe so, as they do not serve retail customers under  
14 Commission approved rates.

15

16 Q. Where would ATXI normally seek cost recovery for the substations  
17 discussed by Mr. Hackman?

18 A. With respect to the substations, it is my understanding that they would not  
19 be used to facilitate interstate commerce or wholesale sales, so ATXI  
20 could not seek cost recovery from the FERC. Presumably ATXI would be  
21 paid by Ameren Illinois Corporation for their use once the project is  
22 complete. Such payment would be mandated as a part of the  
23 transmission agreements AIC is a party to.

24

25 Q. Do you foresee a problem with the structure of the ATXI petition regarding  
26 the substations discussed by Mr. Hackman that may conflict with the  
27 normal procedure for cost recovery within each jurisdiction, those being  
28 state (Illinois Commerce Commission) and federal (FERC)?

29 A. Yes. Cost recovery through retail rates is not addressed in a proceeding  
30 such as this one. Normally there would exist at a future date, an  
31 opportunity for the Commission to make a determination of how, and to

1 what extent, the substations at issue in this proceeding are included for  
2 cost recovery in say, the retail rates of AIC.

3  
4 Q. Even if the Commission cannot make this determination at this time, does  
5 not the Commission have a later opportunity to make that determination at  
6 such time as any of the substations is actually used to provide service to  
7 retail jurisdictional customers?

8 A. The answer to that question may be no. We believe that the mere  
9 issuance of certificates for the proposed substations in this proceeding  
10 may present a problem. The ATXI project has been deemed by MISO to  
11 be an MVP. MISO operates under and acts within the jurisdiction of the  
12 FERC. If the Commission in this proceeding grants a certificate for the  
13 substations, and they are built, they may then come to exist because of a  
14 FERC jurisdictional mandate or decision. I'm not a lawyer, and I'm  
15 certainly not rendering a legal opinion, but my 35 years in the utility  
16 industry have provided some examples for me that illustrate that certain  
17 decisions by the FERC may carry with them an inability for the ICC to  
18 determine how much retail ratepayers should pay for the substations. In  
19 other words, a federal pre-emption may take place that would preclude the  
20 Commission from involving itself in the cost recovery associated with the  
21 substations.

22  
23 It may be prudent for the ICC policy staff to determine whether or not this  
24 proceeding is the only opportunity the ICC may have to address cost  
25 recovery of the substations. If the Commission accedes to ATXI in the  
26 certification process, they may be precluded from rendering a decision on  
27 the level of jurisdictional cost recovery in the future.

28  
29 Q. Is there any evidence in this proceeding that suggests that the  
30 Commission may be precluded or pre-empted from evaluating the level of  
31 cost recovery from retail ratepayers in the future?

1 A. Yes. The Staff has provided testimony that suggests that the ultimate use  
2 of the substations would be by AIC, and AIC is not a party to this  
3 proceeding. That creates a question as to how use by AIC would  
4 ultimately be assured.

5  
6 Q. If as you say the ultimate beneficiary of the substations is AIC, has AIC  
7 made a commitment to connect to or utilize them in the future?

8 A. Yes. ATXI has stated that MISO tariff's and transmission owner  
9 agreements obligate transmission owners such as AIC to make  
10 connections as directed by MISO in an "APPROVED TRANSMISSION  
11 EXPANSION PLAN" (emphasis added).

12  
13 As a result, it is our opinion that the ICC should evaluate the 345kv line on  
14 its own merits, without certificates for any substation, and not be rushed

15 on granting certificates in this proceeding. The evaluation of the  
16 substation locations should be spared for a separate proceeding involving  
17 AIC. This would allow the Commission to render judgment for a more  
18 direct route between Pana and Kansas, and then assess the location for  
19 each substation, as well as how retail ratepayers would pay for those  
20 substations.

21  
22 Such a separation would allow the Commission to determine whether it  
23 believes ATXI or AIC should be seeking approval of the substations at  
24 issue. One of these choices may give the Commission the opportunity to  
25 determine the appropriate cost recovery, the other may not. Another  
26 proceeding would also allow the Commission to require that the entity  
27 responsible for load forecasting, Ameren Services, be a participant in that  
28 proceeding. Such a proceeding would also allow AIC to sponsor and  
29 support planning and forecasting done by others on their behalf.  
30  
31

1 Q. Does Mr. Hackman's direct testimony address the Mt. Zion substation?

2 A. Yes, it does. Mr. Hackman correctly identifies that the Commission, in its  
3 order, "agrees that a new substation in the Mt. Zion area, is necessary."  
4 The Commission did not define what is meant by, the "Mt. Zion area" in its  
5 order. We take exception to the idea that because someone was willing to  
6 sell ATXI enough ground for as substation, that the location of that parcel  
7 is the best location for a substation. ATXI itself has identified that its  
8 original preferred location for planning purposes was not the proposed  
9 location. The preferred location was dropped inexplicably when a  
10 landowner offered the land now described as the proposed location. We  
11 also see a basic flaw in ATXI's assumption that a substation location will  
12 drive the location and direction of the line. This is particularly troubling  
13 when the proposed substation location was not a direct result of the  
14 planning process. It is now our opinion that the flexibility ATXI has used in  
15 determining how fluid the process of substation site selection can be  
16 (based on the availability of ground rather than planning) means that We  
17 can also suggest that other optional substation sites are in the "Mt. Zion  
18 area." These could include the options identified by Staff, as they would  
19 also provide adequate support to the Decatur area from their southerly  
20 location just 3 miles from Mt. Zion. It should also be noted that much of  
21 the load in the Decatur area, such as that of ADM, is more than 3 miles  
22 from Mt. Zion.

23  
24 **SUMMARY**

25 Q. How does the ATXI proposal, and its support of planning for the AIC  
26 system, affect the responsibility the Commission has to AIC's customers?

27 A. ATXI's proposal is a direct response to a planning function that involves  
28 not only ATXI, but Ameren Services and MISO. The project is now  
29 presented as a planning requirement adopted by MISO and required by  
30 MISO to be utilized by its member companies, such as AIC. The  
31 Commission has agreed that while the implementation of MISO planning

1 criteria, and projects that result from that planning, such as the Illinois  
2 Rivers project are necessary, the Commission has also identified its  
3 responsibility to Illinois ratepayers. As such, it has stated that it cannot  
4 take the MISO planning recommendations on blind faith, but rather they  
5 must conduct an investigation consistent with their responsibility, as the  
6 Commission has stated in its own order. As a result, we agree with the  
7 Commission, and respectfully suggest that granting ATXI certificates for  
8 the requested substations runs counter to this responsibility, as it  
9 precludes the Commission from determining when and how AIC retail  
10 ratepayers will ultimately pay for them.

11  
12 Q. Does this conclude your testimony?

13 A. Yes, it does

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